

# Investing in Kids: Early Childhood Programs and Local Economic Development

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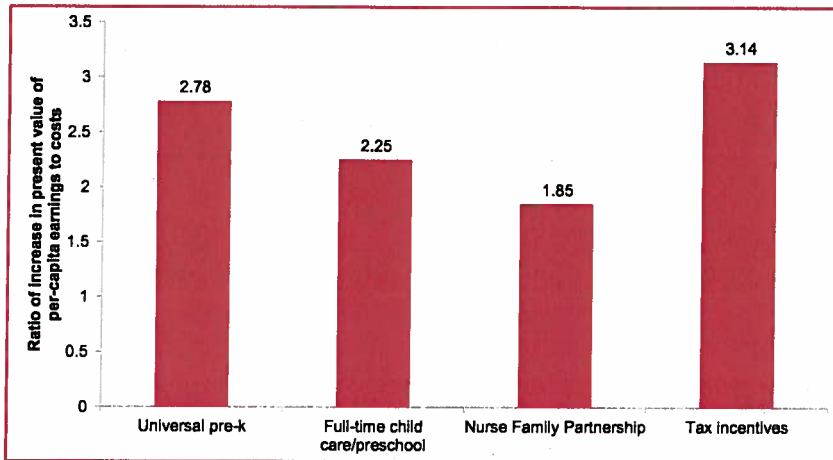
## Main Points of *Investing in Kids* Book

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- High-quality early childhood programs, like business incentives, can provide large “local economic development benefits”: higher per capita local incomes
- Early childhood programs’ main way of affecting local economy is by increasing quality of labor supply as adults of former child participants in programs
- Enough former participants will stay to significantly increase overall local labor quality, which is key factor attracting better jobs
- Per dollar invested, early childhood programs increase present value of local per capita earnings by \$2 to \$3

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## Ratio of Increase in State Earnings Per Capita to Cost, 3 Early Childhood Programs, and Business Tax Incentives



Source: *Investing in Kids*, Figures 4.1 and 10.1.

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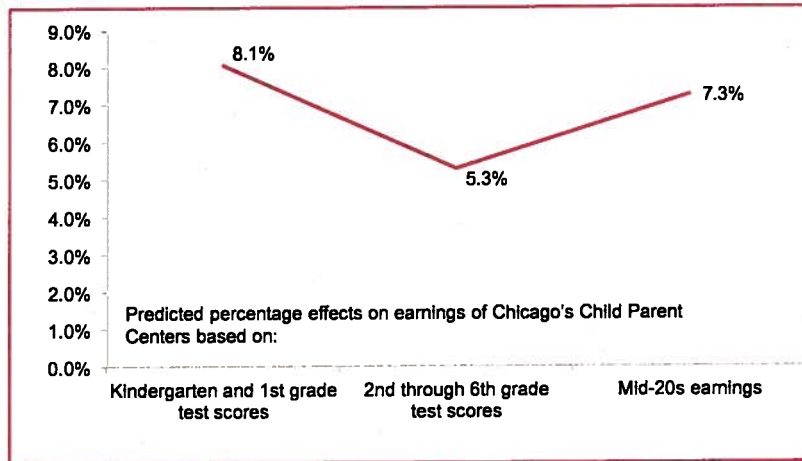
## Responding to Skeptics 1: Why should I believe these claims that early childhood programs work?

- Because of limited access to early childhood programs, comparison groups are better than in most program evaluations
- Recent evidence for large-scale effectiveness from Oklahoma, West Virginia, South Carolina, New Mexico, New Jersey, Michigan, Chicago, North Carolina
- Even when test score effects fade, effects of early childhood programs re-emerge in adulthood due to soft skills

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## Re-Emergence of Pre-K's Effects Suggests Importance of Soft Skills

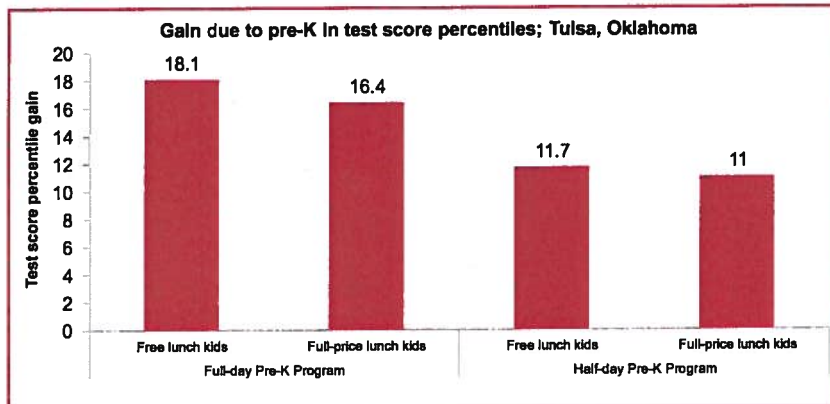


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## Responding to Skeptics 2: Are early childhood programs just needed for the disadvantaged, or do other groups gain?

Response: Available evidence suggests similar gains for middle-class



Source: Bartik, Gormley, & Adelstein, 2011.

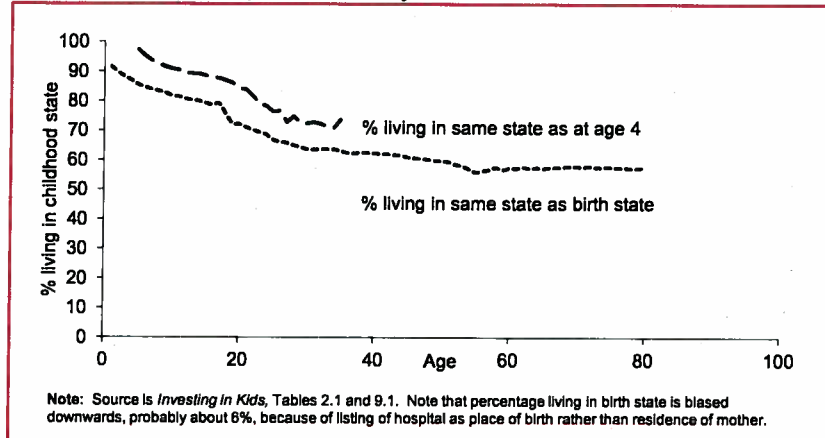
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## Responding to Skeptics 3:

Will this really benefit not only local participants, but the entire local economy?

Point 1: Most participants will stay, even in smaller or distressed areas



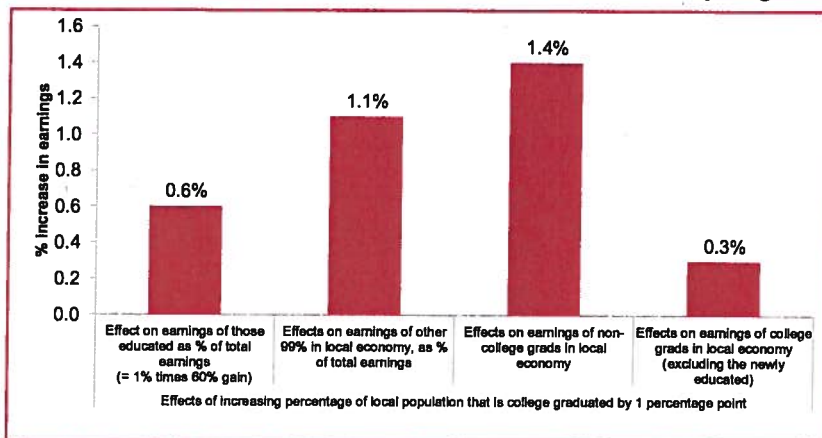
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## Responding to Skeptics 3:

Will this really benefit not only local participants, but the entire local economy?

Point 2: The skills of "other people's children" matter to my wages



Source: Moretti, 2004.

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## Responding to Skeptics 4:

Are early childhood program benefits only long-term, or are there also short-term benefits?

Point 1: Parents will be attracted, increasing property values

Effects of Preschool on Property Values

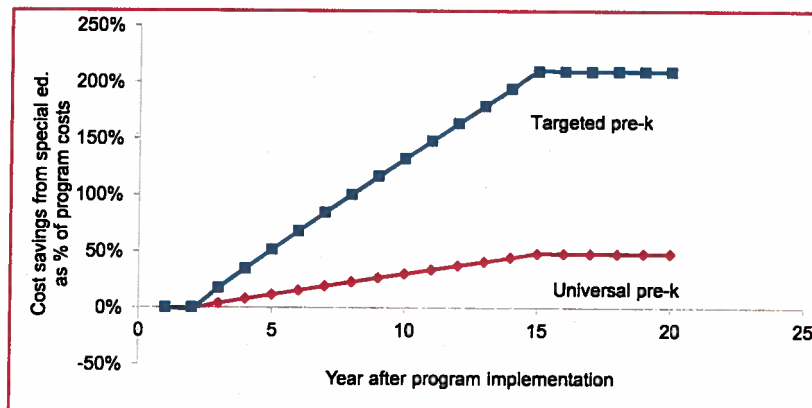
	Based on effects on elementary test scores	Based on assumed full capitalization of earnings effects, 4.7% discount rate
% effect on property values	0.8%	5.1%
Ratio of property value increase to annual program costs	13	81

Source: Table 7.3, *Investing in Kids*

## Responding to Skeptics 4:

Are early childhood program benefits only long-term, or are there also short-term benefits?

Point 2: Savings in special education costs



## Summary of State Economic Development Case for Early Childhood Programs

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- High-quality early childhood economies can pay off for entire local economy in stronger growth in per capita earnings
- Costs are modest: e.g., universal pre-K for 4-year-olds costs about \$40 per capita, less than 3% of what we pay for K-12
- Some short-run payoff in higher property values, attracting parents, and savings in special ed and other remedial ed costs.

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## Current Status of Early Childhood Programs

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- Around the United States:
  - Big cutbacks in some states, such as North Carolina. In other states, sacrosanct (e.g., Oklahoma)
- In Michigan:
  - Modest expansions, consolidation of programs in state education department
  - But Michigan has state pre-K for 16% of 4-year-olds vs. national average of 27%, and several states above 50%, including Oklahoma at 71%
  - State funding of \$3,400 for half-day program is less than \$4,500 cost of quality program
  - K-12 budget cuts put pressure on early childhood programs

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## What Should Be Going On?

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- Universal pre-K: \$40 per capita
- Other flexible early childhood programs: On order of \$20 per capita to match Smart Start in North Carolina
- How to finance: possibility of "PKSE" financing for some of this
- A sensible early childhood system should be a flexible system with accountability for results

